

CAPITOL HILL CLUB  
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I'm neither a Republican nor a Democrat but to this august group I ought to say, when Ed mentioned my appointment to the Naval Academy, that it was Stephen Day of Illinois' 13th District, which I guess is still one of the most staunchly Republican districts in the country; subsequently filled by my close friend Don Rumsfeld who has been out in that district for many, many years.

I'm pleased to have this chance to be with you today. I'm sure there's nothing on your minds like Iran or Vietnam so let me touch on those briefly and then say a few words about the state of our intelligence in the country and try to leave most of the time to respond to your questions.

Iran is in a truly revolutionary situation in our opinion. A revolution which came from the dissatisfaction of the bulk of the people in the way they were being governed. And today the question is: Can those who have taken the leadership, Ayatollah Khomeini and his Prime Minister, Mr. Bazargan, gain real control of the government apparatus and of the country? They have many opponents who are cropping up now that the Shah has been removed. In short, allies that stood together when they had a common purpose are now showing their more true colors. The most dangerous group is called the <sup>Q</sup>Shariks, a group of Marxist-Leninist terrorists, who supported Khomeini but now are clearly trying to take over from him. They are the ones who attacked the Embassy. And

it is our impression that Teheran today is a series of precincts and each precinct has a different terrorist group exercising control and order in it. Some of them are <sup>C</sup>Shariks, some are the Communist Tud<sup>e</sup>ah party, some are a new Communist party of Iran, and a number of other splinter groups. Many of them have arms and clearly, in our view, the showdown has not yet fully come. <sup>in front of us</sup> ~~The~~ before us is where is the military.

And a week and a half ago there was an upcropping of disorder on the Air Force Base in Teheran, not the Municipal Airport but a base called Oshentapi, with a group of Iranian Air Force students. The Imperial Guard was sent in to quell it. In my view they didn't bring in enough force quickly enough. It began to get out of hand as the civilian townspeople came to the support of the disaffected Iranian Air Force students and, at some point, the Iranian military decided to toss their lot in with Khomeini and Bazargan rather than to spill a lot of blood over this air base incident. Nobody, Khomeini himself, anticipated this was going to be the touchstone that would turn the situation. It did and I think indicative of the pandemonium, the chaos in which it took place ~~and~~ the fact that none of the generals got out. And we ~~had~~ all expected that, they saw this coming, there'd have been a couple of big 747s transporting the generals out of Iran, \_\_\_\_\_ prepared too well as a result. Basically all major generals and almost all <sup>are</sup> ~~are~~ but as far as we can tell the Army, Air Force--I won't mention the Navy because we don't hear much about them, they're not a political factor at this point--are in a real state of chaos. The troops are voting on their leaders, trying to decide what the policy should be and nobody really is in charge.

Whether Khomeini can take charge now will maybe depend in some considerable measure on whether there will be created a sense of cohesiveness of enough of a military force to give him the balance between the, not necessarily numerically superior but better organized and perhaps better armed <sup>U</sup>Sharik and other leftist leaning terrorist groups. So it hangs in balance and I really don't know how to predict for you how and when it will shake itself out but I think we are in for some time ahead of uncertainty and struggle there.

The situation in Indochina is that today almost along the entire ~~stint~~ <sup>area</sup> of the border between China and Vietnam the Chinese hold ten to fifteen kilometers of territory. It really is very confused as to what the Chinese intentions are, whether they are being held back by the pressure of the rather light paramilitary Vietnamese forces that were positioned in the area, or whether they are deliberately holding their ground there. And it is not clear whether the Vietnamese intend to bring up substantial main force ground units from the divisions they have protecting Hanoi or, of course, pulling forces out of either Laos and/or Cambodia. But at this point we are really waiting to see what the Chinese move is going to be next and whether they continue to take advantage of their large preponderance of forces and move further South towards Hanoi or whether they will be content to decimate, if they can, these border divisions of paramilitary forces and then, as they predicted, withdraw. It is my view, at this point, that the Soviets have not been given a cause enough that they are very likely to retaliate with military force. But somewhere between where the Chinese are now and the capture

of the city of Hanoi there might come a time when the Soviets would feel that they had to really step in. So it's a tinderbox situation and one that we can only surmise what the Chinese move may be next.

American intelligence today is undergoing a state of change. It's a very healthy set of changes. The American intelligence apparatus of our country is in a very healthy state. But I want to emphasize in a couple of remarks to you today what some of these changes are because I think they will help to bring out in our discussion what is going on and what we can expect from the American intelligence community in the years just ahead.

One of the most startling and important changes really does concern you here on Capitol Hill. Because it is the arrival, in the last several years, of a greatly increased oversight mechanism for checking and controlling the intelligence apparatus. We've always had <sup>P</sup>residential control and oversight. Today it is even more active. But today it is also reinforced with a strong Executive Order--originally issued in February 76 by President Ford, reissued in January of 78 by President Carter--and this Executive Order lays out the rules by which our activities would be conducted.

Beyond that there is the Intelligence Oversight Board founded again by President Ford. <sup>It is a</sup> body of three independent people--Governor Scranton, Senator Gore, and a lawyer from Washington, Tom Farmer--who report only to the President on what they consider to be any possible breaches of legality or propriety carried out by the Intelligence Community.

Most importantly for you and very important for us, we have a very vigorous and effective and useful Congressional oversight today in the two committees of the Congress. I can say to you that I feel this relationship is developing very, very well. I think we have had a lot of cooperation, a lot of support, a lot of help from these committees. On the other hand, I would assure you that the relationship is an oversight relationship and I am very much under their eye. I very much report to them and nothing ever appears in the press that indicates ~~that~~ we may have done something wrong that I don't get a letter the next day from one or both of them. We are, I think, exchanging information with them in a very forthright manner and one that meets all of their needs for the oversight function and it is a useful function to us.

It is a useful function because for the first time in many ways the Intelligence Community is really being held accountable and when you are held accountable, you make your decisions in a more judicious manner. Now there are risks in that. There are risks that if we become timid in our intelligence and aren't willing to take risks in what we do, we won't have good intelligence activity for our country. There are risks of leaks, not because the Congress is necessarily more porous than anything else but as you involve more and more people in the sensitive activities by sheer sheer of numbers, the possibility of some kind of a leak rises. But on the balance I feel the benefits are there. The benefits of being held accountable, the benefits of ensuring under all of the oversight that the activities of the Intelligence Community are, in fact, really supporting the foreign policy of the country as enunciated by the State Department.

Now with this, and closely related to it, a second change that has come over our Intelligence Community is that of much greater public exposure in general today. It has been difficult for the oldtimers in the Intelligence Community to accept the greater oversight that we've had. They have been unaccustomed to it. They are not organized for it. I can't tell you some of the frustrations I felt when I first got there and I asked for data that I was used to producing for a<sup>n</sup> armed services committee where you reeled it off and you had the statistics all. It just didn't exist. It was there somewhere if you pulled it together but they hadn't the habit, the practice, of knowing how and where to pull it together so you could sharply answer the questions of the intelligence committees or the appropriations committees in the intelligence field.

But if that's been a trauma for the Intelligence Community, the greater public exposure has been an even more shaking experience. We have two kinds of publicity and exposure today. We have wanted exposure and unwanted, more of the latter than the former. We want exposure more than we've had in the past because, in my view, you can't have a public institution like this that doesn't basically have support from the people. That support always existed in the past because people understood in this country that you needed an intelligence function and you needed some kind of secret information collecting activity and they accepted us on faith. Since December 74 when all the exposures started and the criticisms and investigations, the committees and so on, I think we've lost a lot of that faith. The country still wants a good intelligence activity. But as I go around and talk to audiences I find tremendous support for what

we basically are doing and what the country knows we need to do, but they also ask the question repeatedly, are you doing things that you aren't supposed to be doing in addition. So to rebuild that faith I think we have to have more public exposure. We have to give the people of the country a better basis for imposing or reposing their confidence in us. So we are out more, talking here with you today, talking in public, answering press and media inquiries more forthrightly and <sup>more</sup> completely than before, publishing more of our unclassified work or seeing what can be made unclassified and available to the American public.

But we also have a great deal of unwanted publicity. Part of it, I think, because of an unfortunate continuation of a post-Watergate mentality in the press starting from a basic assumption that any government servant is basically up to something wrong and it's their job to disclose that when, in fact, you know better than I, that's not really the case in the majority of instances and the presumption often hurts.

Beyond that there is a deliberate, a vengeful source of unwanted publicity today. I don't know where it gets its funding and where it gets its support, but when we have a newspaper or a pamphlet put out on a periodic basis from Dupont Circle on smooth, slick format doing nothing but trying to expose the CIA and name its agents overseas; when Agee can continue to publish books and continue to work on things like his new computerized list of all of the people he can identify in the CIA which he will then make available to anybody who wants to tap into it, we've got some activities that are very injurious to our country, and where they come from and who supports them, I wish I knew better.

This kind of change in this public exposure--both wanted and unwanted--also has been traumatic for the Intelligence Community, for people who have learned to operate under a cloak of secrecy, a cloak of very necessary secrecy over these many years, to adjust to this new kind of spotlight has been difficult.

And as we make that adjustment we're going into a generational change, If you look on 30 years as a working generation, we're just about there from the beginning of this organization and the many fine people who came into the Central Intelligence Agency at its conception. And we are now passing the mantle to people who have a different outlook on dealing with oversight, dealing with the media, adapting from the cold war requirements of intelligence to those of today and so on. And so that passing of the baton is another difficult phase in the intelligence experience that we are going through at the moment.

And on top of that we really are adjusting to the priorities of intelligence that we think are appropriate for today and the 1980s as opposed to what was appropriate 20 or 30 years ago. When the Central Intelligence Agency was founded, our number one, almost exclusive, priority was on Soviet military activities. Today you can appreciate how many countries, how many non-military kinds of intelligence we have to be involved in. It really is startling to see the number of academic skills that we have to have--chemistry to agriculture to things that would get us into the psychology of terrorism, let alone, of course, basic political science and economics, that we have to deal with day by day. And making this adjustment without greatly increased resources,



shifting around so that we can cover these new requirements is a real challenge to us because the basic ~~the~~ Soviet military requirement, as you well appreciate, has not diminished at the same time.

And finally, we're undergoing another change in how we go about collecting our intelligence. As you are well aware, there are satellites, there are signals intelligence, intercept capabilities today. We have burgeoning ability to gain information, to gain information through what we call technical systems of collecting intelligence. In fact, a real problem is how do you digest it all. We had a problem over the weekend. We couldn't get enough Vietnamese language people into work and you can only keep on translating for so many hours. But the requirements to sift, to process, to use automatic data processing, to tell you what to look at and what not to look at are really very substantial. But on top of this the old human intelligence, the spy, human agent, is just as important today as ever before. Because the ~~former~~ <sup>former</sup> of this technically derived information you gather, it generally tells you what happened sometime in the past, a photograph of some time in the past or signals intercept of some time in the past. What you want to know then is what's going to happen next and why did that happen yesterday. And that's, of course, the forte of the human intelligence agent.

So, in my view, we are in a position today where we must do a much better job of integrating, of being sure that we use these three basic techniques of collecting information--the photograph, the signal, and the human--in a complementary manner and we haven't had that mechanism in our Intelligence Community before, we haven't had that necessity.

Each one of these elements <sup>have</sup> sort of been intelligence unto itself and now the job is to say no, don't do that with the human spy because I can get that with photographs; this is what I want you to do because this complements that. So that when we get a photograph and it says there's an installation there, we then target a spy specifically to tell us what kind of an installation it is and we turn on the signals intercept materials to get any emanation coming out from it to give us enough pieces to pull together and find out exactly why and what it is doing. It is that kind of teamwork that we are really stressing and it, too, requires new attitudes, new outlooks and changes in our intelligence apparatus.

Let me just sum up by saying that we are collecting more, we're analyzing over a wider sphere of activities and geography. We are looking to the future in what we collect and what we analyze rather than to the past. We're more accountable to you in the Congress, more accountable to the American public than ever before. I sense a lot of good coming out of it. I sense a greater understanding on the Hill and in the public of the importance of what we are doing, a beginning of a turning of public opinion back to a more balanced view of our activities. I sense a greater sense of balance within our own Community as to what we are doing and how we go about it. But it is a difficult period as you go through this kind of a transition in as large and diverse a bureaucracy as is the Intelligence Community of our country. What we are doing, in my view, is we are shaping a new model of intelligence, a very uniquely American model and one which I predict to you the other

free democratic countries of the world will be following in the years just ahead of us. We're setting the pace, we're trying something that is a really radical experiment. We're not there yet, we have a number of years I believe to go before these procedures are settled down and we know that we have developed this model in a way that really will be workable to give us the product and yet, at the same time, provide the assurances the country wants and needs about its intelligence activities. So I believe we're in a very healthy, changing, dynamic state today and the future looks good. Thank you.

QUESTIONS & ANSWERS

Q: Can you tell us why, year after year after year, the CIA has consistently underestimated Soviet \_\_\_\_\_ strength? Last week Secretary Brown said again in his talking statement we had again underestimated Soviet \_\_\_\_\_ and strength \_\_\_\_\_. Every year it is about a ~~20~~% error, always on the downside. Do you have any comment on that?

A: I'm not sure that it is as bad 20% a year as you say, it's always hard to measure that. Yes there are some reasons for that. Number one, we don't have perfect intelligence about what the Soviets are planning to do and sometimes you don't know what they are going to do until it starts coming off the line. We don't have a Aviation Weekly or a Congressional Record to read as to what the Soviet plans and intentions are. This year, for instance, my analysts came to me and said, "Here's a capability of the Soviet forces that we think is going to improve by 'x' percent over the next couple of years. But I can't," they said to me, "prove that to you Admiral. What I can tell you is we've seen they've put some new gadgets in here but we don't know that they're better gadgets, that they are different. We assume they put them in to make them better. Secondly, we assume that if they did that they're likely to make another change in this system over here. But we see no evidence that they are going to make that change. But I'm asking you, Director, to sign off on this estimate that those things are going to happen and the improvements of that equipment will be good and

these other changes, which are logical, will take affect." I signed off on it. Four months later we got the proof of the pudding--it did come into affect. But I really had a lot of qualms about signing off on it because I looked like I was taking a worse~~e~~, worse~~e~~ case approach to the situation. And those are the kinds of decisions my predecessors and I have made where we have erred sometimes by being a little more cautious <sup>and</sup> than saying without more evidence, "I don't want to go with it." They are all tough.

Q: (Inaudible)

A: To the best of our knowledge, the missiles and the aircraft are all on two Iranian Air Force bases where they were when all the troubles started. To the best of my knowledge we've not had any of them compromised at this point though I can't give any hard guarantee of that. It happens that one of the most dissident elements in the Iranian Air Force are a group called the Homivars--I don't think it derives from the same word. The Iranians, with a rather low educational background as a nation, when they got all this sophisticated equipment in their military some years ago, formed what we would call perhaps a specialist corps. The Army tried it in our country I think ten years ago and they still have it, they call people specialists instead of sergeants. But in Iran what it meant was these people really got some education, technical education, and they became the technicians who maintained the equipment. And they are set aside, they are in uniform but they are not in the military line of command structure. They're really just there to work on the technical

equipment. Being better educated perhaps was the problem for them because they had been the most disaffected element in the whole Iranian military, primarily in the Air Force though they exist in both of the other services. But interestingly they are very chauvinistic, they believe those F14s are theirs which they are. And they have been maintaining these all this time and they don't want us, or anybody else, to take them away from from Iran; they are very nationalistic people. So we have some hope that because of this attitude and because these are the people who have sort of taken control of these air bases in the chaotic state, that for their own purposes they are protecting our interest, not for our purposes. But I can't guarantee you that at this point. We just don't have that much access to what is going on in those bases.

Q: (Inaudible)

A: I really don't want to talk about individual countries but to say that between our principal allies we have very close working relationships. For instance, the other day when our Embassy was attacked we had real communications problems. We had to destroy a lot of equipment before we thought it might be compromised. So I was running short on information. One of the first things I did was to go to three allies, right directly to their chiefs of intelligence, and say, "Look, I got a real short term problem here, but it's a big problem for me and I need your help. Now come on, get the flow coming to me of anything that you have." And they are very cooperative overall. There is an interesting point here though philosophically that I'd

like to mention. We have reached a stage in intelligence that there really are only two intelligence services in the world--the KGB and the American Intelligence Community. Why? Who else has got photo satellites? Who else has big SIGINT stations, ships, airplanes and so on? Some of our bigger allies have pieces of all this apparatus, but nobody has the panoply that we and the Russians do because it is just too big, it's too expensive. So people worry with all the exposures we have about our cooperation and whether they will cooperate with us because they fear it will leak out over here. And that is a real problem. But on the other hand, we have a big leverage because we have so much more information than anyone else that if I find an ally cutting me off, I tell you he'll be the loser in the long run. We have much more, ~~I mean,~~ <sup>I</sup> there is no liaison relationship that we have that is equal. We give much more than we get in those relationships. That doesn't bother me. We are the rich uncle in this particular case, so I ~~don't~~ try to do it on an equal basis. I don't want to just keep giving, I want to make sure I'm getting at the same time. But if they really pull us, these people you're talking about, they just sort of cut us off, they are going to be hurting very badly.

Q: (Inaudible)

A: One interesting aspect in this, <sup>i</sup> it is far too early to tell when it will come to pass. Khomeini is very anti-Soviet, anti-Communist and the PLO is looking for a home, a base. Lebanon has turned to a can of worms for everybody. It looks worse today and it looks like

it's getting worse again after the cease-fire last fall. There is just some possibility that if the PLO finds enough interest in Iran, that there will be if Khomeini doesn't survive and form his Islamic republic, there may be some \_\_\_\_\_ pressure on the PLO from their Soviet influence as they have had different degrees of at different times. But on the other side of the fence, the addition of Iranian support to the PLO and whatever they can do for them is perhaps going to strengthen them and make them more adamant in their \_\_\_\_\_.

Q: (Inaudible)

A: I'm very pleased that it is not very true. Even during the height of the public criticism, the recruiting of the Central Intelligence Agency continued to be high. And one thing that has happened is we don't get as many Ivy League candidates as we used to. But we get as many or more candidates and their qualifications appear to us to be just as good as they were and, yet, one of the greatest efforts that I have been making is on recruiting and retention because I feel a tremendous responsibility to leave an Agency some day that will be ready for the 1985-1990 period. You've got to do that by building foundations of good people. So we are emphasizing recruiting, we are changing our recruiting techniques. I have been criticized resoundingly for dropping 820 excess positions, \_\_\_\_\_ the bureaucracy. But you know that part of that is to open up opportunities by getting out excess senior people; so that we had incentive for the younger ones to come along and see that there was a prospect for



them at the end of the line. And that I think is going to have an effect here in retaining the middle grade, younger ones and still bringing in the bottom \_\_\_\_\_.

Q: Sir, it just seems like yesterday that we had a whiff of teargas on the South Lawn of the White House by the Iranian students protesting the visit of the Shah. Why do you suppose it took so long for the President to understand that they really \_\_\_\_\_?

A: Why was there an intelligence failure in Iran? I wonder \_\_\_\_\_. \_\_\_\_\_ really did, very polite, I appreciate that. We are always glad to give any of you credit for having worked for us if you'd like me to publicly. The situation in Iran it was clear from a year ago that there was considerable unrest and disorder and we kept reporting that as we went along. And clearly there were \_\_\_\_\_ problems of \_\_\_\_\_ of the economy \_\_\_\_\_ where they were trying to go. Then there were problems of absorbing all this military equipment of great sophistication. And yet we persisted, I believe, in thinking that this was a strong dictatorial regime with a police service that knew what was going on internally and it had the will and the clout to take care of it. And I think it is significant also, I think the Russians felt the same thing because they didn't turn anti-Shah until well down the pike. And I think they felt that way because they would have taken care of it in their country. But what happened in October and November was that these various forms of discontent--some for cultural reasons, some for economic reasons, some for being left out in the political

process, some for aversion to the corruption, some resistant to graft--they coalesced behind a 78 year old religious figure who had been out of the country for 14 years. And none of us, even when they began to coalesce, helped the Shah with \_\_\_\_\_ fortitude at the critical moment to crack down and spill the blood. I'm not advocating that he should have. I'm saying what our cold analysis of it was. And we neither saw the coalescence of these pressures into a unified pressure, which I just described as now fragmenting, nor did we feel that between the military and the Shah one of them wouldn't step forward and say the time has come when we've got to spill blood and get this back under control. And for reasons hard to deduce, that was not done by either the Shah or the military and it has been crumbling ever since. So, yes, we missed predicting this eruption. We didn't miss predicting this was a problem area and that there were difficulties here. \_\_\_\_\_ you to say two things. One, predicting political events is the most difficult part of our job and particularly coups and revolutions and upheavals, assassinations and things like this. And secondly, as I was saying to some of my friends at lunch, we get all the brickbats when we supposedly miss one, but when we make one nobody hears about it.

Q: Regarding the Chinese invasion of Vietnam, what have the Russians done directly \_\_\_\_\_ or as a result of that action and what have they done that is really significant \_\_\_\_\_ possible intervention.

A: Well the main thing they have done is rhetoric which has evolved very slowly and gradually. They weren't really prepared it seems to me as to what line they were going to take initially. It's only been the last day or so they begun to be quite strident in accusing the United States of colusion and collaboration here in conjunction with Deng's visit, \_\_\_\_\_ condemned the basic invasion in the beginning. But it has been modest in tone and build up comparatively speaking. They are announcing that they will live up to their treaty in November with the Vietnamese which, in this instance, \_\_\_\_\_ only calls for consultation. I think we'll see some people getting out there to consult. I say that because I think \_\_\_\_\_ . I think we'll start to see some increase of military aid flowing through the air, and in that direction they have somewhat increased the size of their Navy force in that area and not something terribly significant but increased intelligence collection activity. They're flying intelligence reconnaissance in the area \_\_\_\_\_ increased their reconnaissance office on their Chinese border. There are reports (inaudible) But I wouldn't be surprised if it went on long enough that they at least \_\_\_\_\_ and get themselves into a position (inaudible) The situation on the Chinese/Soviet border is different in a couple of respects from the Chinese/Vietnamese border. It is very likely manned by Chinese military forces. They're backed, well backed from \_\_\_\_\_. You just can zip across and grab a Chinese division \_\_\_\_\_ and go home. They have \_\_\_\_\_ the border territory which is very thinly populated. And,

of course, February is a very inhospitable climate \_\_\_\_\_  
\_\_\_\_\_.

Q: Are you concerned about the increased (inaudible)

A: I scrupulously stay away from comments about what should be done about things because I am not in the policy business and if I appear to be advocating one policy or another then my objective intelligence is \_\_\_\_\_. We try very hard to stay clear of recommendation of how to correct \_\_\_\_\_. There is no question in that the fixed Minuteman force is becoming increasingly vulnerable in some of these changes that we have witnessed. \_\_\_\_\_ asked about the size of the Soviet forces but the quality. And the example I gave was a qualitative improvement. That we were having difficulty knowing whether we should forecast this year or wait and see a little bit more from evidence next year. It turned out that it was a qualitative improvement that will effect the \_\_\_\_\_ diminish the safety of our Minuteman. From there, am I worried about it is a question of what your basic philosophic outlook is on the strategic balance and whether you are a sure-destruction man, a new countervailing man with Secretary Brown, a counterforce man with whatever philosophy you want to espouse if one can understand the difference between them which I find difficult sometimes. But as far as sure destruction, you can throw away all the Minutemen and we got \_\_\_\_\_ to continue to pummel the Soviets. As far as lasting out a war fighting scenario, if we lose all the Minutemen, they are going to have more left at the end of the game than we. I personally

think that a great deal of this hinges on what the world psychology is. If you really worry that the world will feel we are inferior because they could knock out most of our Minutemen sometime in the 1980s, then you've got a real problem because you may find that the Soviets exercising political leverage in that main with that reason that is very injurious to our country. Whether, in fact, the vulnerability means anything in an actual fighting sense or not, it's what people perceive since we all \_\_\_\_\_ these weapons will never be exercised. (tape turned) ... an important difference indicative of the relative importance, strength, resolve of our two countries. And it is important. A lot of that depends on the rhetoric we use ourselves in describing the situation.

Q: (Inaudible)

A: We've been very worried about that and right now I'm a little more optimistic. The control seems to be in the hands of the National Iranian Oil Company at this time. But we do know that way back in December Bazargan, himself before he was designated Prime Minister, was going to the oil fields in Khomeini's name and trying to get the people to go back to work so at least they would have enough kerosene to keep their homes lit. And he found that the workers there didn't care about Khomeini. They had their own objectives, they were \_\_\_\_\_ and he was very concerned. They got the thing going to where they were producing half a million barrels a day, which is barely adequate for them. But since last Sunday when the Iranians went back to work at Khomeini's direction, more people

in the oil fields have gone back to work than perhaps we expected. There are still those who are holding out because they are more extremists. And so I am saying to you in a very discombobulated answer to your question that the balance there as elsewhere is still undecided between those forces who wanted to take it to an extremist leftist position and those who want to return to some kind of normalcy under an Islamic Republic. But the most immediate developments have made us more optimistic than we thought because we were very pessimistic as a result of the December experience. So to give you a very couched and guarded answer, the situation is not resolved but I have a little more hope today than I would have had a week ago that it may be resolved over time and in the right direction. I think here again Khomeini could get a military unit in that area to coalesce \_\_\_\_\_ and help him. And there have been some who are doing this. But in the next week or so I think the balance will be \_\_\_\_\_ do it in a few critical places like this, \_\_\_\_\_ if you can keep the oil fields in Teheran on the right side of the fence. In time they'll come around.

Q: (Inaudible)

A: Very definitely. There are a number of repercussions from this--Kuwait, Bahrain, Eastern Saudi Arabia all have substantial \_\_\_\_\_, population is more than 50% in Bahrain. And they are all obviously concerned that whether this example will embolden those people. Secondly, this will have an inhibiting affect on how fast all those

countries want to change their culture and their economy, i.e. how much oil do you want to pump if you are a \_\_\_\_\_ and heat up your economy and get lots of foreign workers in and all the things that go with it. And thirdly, it will have an inhibiting affect on how much do you listen to the United States about human rights. Because, rightly or wrongly, these people are interpreting this as neglecting the religious side of life, emphasizing the human rights side, emphasizing the development of the economy without getting it percolating down. There can be some good offshoots. We've seen a couple of countries that are saying, "Gee, if we've got to worry about middle class housing and things like this." So there are some pluses and there are a lot of minuses in this and it is certainly going to have a major impact, particularly in that area but all around the world in lesser developed countries who see this as an example of how not to keep your country stable.

Thank you very much.





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